

Service Date: March 19, 1996

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Application)	
of PACIFICORP for (1) Authority)	
to Issue and sell or Exchange)	UTILITY DIVISION
Not More Than \$750,000,000 of)	DOCKET NO. D96.2.25
Debt, (2) Authority to Enter)	DEFAULT ORDER NO. 5900
into Credit Support Arrangements)	
and (3) Authority to Enter into)	
Currency Exchanges.)	

On February 22, 1996, PacifiCorp (Company), a corporation organized and existing under and by virtue of the laws of the State of Oregon and qualified to transact business in Montana, filed with the Montana Public Service Commission (Commission) its verified application, pursuant to ' ' 69-3-501 through 69-3-507, MCA, requesting an order authorizing the Company to (1) issue and sell or exchange, in one or more public offerings or private placements, fixed or floating rate debt (Debt) in the aggregate principal amount of not more than \$750,000,000 or, if the Debt is issued at an original issue discount, such greater amount as shall result in an aggregate offering price of not more than \$750,000,000 (or its equivalent amount in, or based upon, foreign currencies determined at the time of issue), (2) enter into letter of credit arrangements with one or more banks or such other agreements or arrangements as may be necessary or appropriate, from time to time, to provide additional credit support for the payment of the principal of, the interest on, and the premium (if any) on the Debt, and (3) enter into one or more currency exchanges. The Company requests that such authority remain in effect so long as the Company=s senior secured debt has investment grade ratings from at least two nationally recognized ratings agencies.

The application is supported by exhibits and data in accordance with the rules and regulations of the Commission governing the authorization of the issuance of securities by electric and gas utility companies operating within Montana.

For detailed information with respect to the general character of the Company's business and the territories served by it, reference is made to its annual reports on file with the Commission.

The application sets forth Counsel who will pass upon the legality of the proposed issuance, the other regulatory authorizations required, and the propriety of the proposed issue.

At a regular open session of the Montana Public Service Commission held in its offices at 1701 Prospect Avenue, Helena, Montana, on March 11, 1996, there came before the Commission for final action the matters and things in Docket No. D96.2.25, and the Commission, having fully considered the application and all the data and records pertaining to it on file with the Commission and being fully advised in the premises, makes the following:

FINDINGS OF FACT

1. The Company is a corporation organized and existing under and by virtue of the laws of the State of Oregon and is qualified to transact business in the State of Montana.

2. The Company is operating as a public utility as defined in ' 69-3-101, MCA, and is engaged in furnishing electric service in Montana.

3. The Company was incorporated under Oregon law in August 1987 for the purpose of facilitating consummation of a merger with Utah Power & Light Company, a Utah corporation, and changing the state of incorporation of PacifiCorp from Maine to Oregon. The Company uses the assumed business names of Pacific Power & Light Company and Utah Power & Light Company within their respective service territories located in the states of California, Idaho, Montana, Oregon, Utah, Washington and Wyoming.

4. The Commission has jurisdiction over the subject matter of the application under ' 69-3-102, MCA.

5. Notice of the application was published as a part of the Commission's regular weekly agenda.

6. The Company proposes to issue the Debt from time to time in either public offerings or private placements, domestically or overseas, for cash or in exchange for its outstanding securities. The financial markets have become more internationalized in recent years,

and as such, foreign sources of capital compete directly with domestic sources for investment opportunities. The Company finds that the variety of borrowing options available to it dictate that it have the ability to select the debt instrument, market and maturity that allows it to borrow at a lower all-in cost, consistent with its financial goals.

7. If the Debt bears a fixed rate, the interest rate will be set at the time of issuance. If the Debt bears a floating rate, the interest rate will be set periodically based upon a published or quoted index of short-term rates. The Debt may be publicly or privately placed in the domestic or foreign markets. Selection of the method of issuance and the location will depend on the relative all-in cost and other benefits of the alternatives being considered.

8. The types of offerings contemplated by the Company in its application include:

- a. Conventional first mortgage bonds placed publicly or privately in the domestic or foreign markets;
- b. Secured or unsecured medium-term notes placed publicly or privately in the domestic or foreign markets;
- c. Floating rate debt placed publicly or privately in the domestic or foreign markets;
- d. Subordinated debt placed publicly or privately in the domestic or foreign markets;
- e. Eurodollar financings placed publicly or privately in Europe or Japan; and
- f. Debt issued overseas denominated in, or based upon, foreign currencies combined with a currency exchange to effectively eliminate the currency risk.

9. First mortgage bonds have been the traditional debt financing vehicle utilized by utilities in the U.S. First mortgage bonds are secured by a mortgage on the fixed assets of the utility. The Company's first mortgage bonds are issued as First Mortgage and Collateral Trust Bonds under the PacifiCorp Mortgage. The Commission has previously authorized the Company to incur the lien of the PacifiCorp Mortgage in Docket No. 88.10.37, Default Order No. 5373.

10. Medium-term notes are interest bearing instruments with maturities generally ranging between 9 months and 100 years. Medium-term notes are typically offered on a continuous basis by the borrower through one or more managers which act as agents in placing the notes,

either domestically or through global programs. In some cases, the agents may purchase the notes on an underwritten basis. Medium-term notes can be offered on a secured or unsecured basis. If the Company issues secured medium-term notes, they will most likely be issued in the form of First Mortgage and Collateral Trust Bonds under the PacifiCorp Mortgage.

11. Floating rate debt is a dollar-denominated security that is typically unsecured (i.e., term loan agreement) with interest rates that reset daily, weekly, monthly, quarterly, semi-annually or annually, generally at the option of the Company. The most common indices used for pricing floating rate debt are based upon LIBOR, commercial paper and Treasury bills.

12. Subordinated debt has become a more widely used financing alternative in recent years. Subordinated debt is typically sold in public offerings and listed on the New York Stock Exchange, but could be privately placed. Subordinated debt would be issued on an unsecured basis and would be subordinate to the Company's other debt; however, it is senior to common stock and preferred stock.

13. Eurodollar bonds or debentures are dollar-denominated securities issued to European or Japanese investors. Eurodollar securities are generally placed by a foreign underwriter, or a foreign subsidiary of a U.S. investment or commercial bank (bank). Eurodollar securities are generally unsecured obligations. However, the Company may be required to enter into a letter of credit arrangement with one or more banks or such other agreements or arrangements as may be necessary or appropriate, from time to time, to support its obligation to repay the principal of, the interest on, and the premium (if any) on the Debt. The Company estimates that such an arrangement could involve a fee ranging from 40 to 50 basis points on the principal amount of the Debt.

14. Foreign currency debt is debt denominated in a currency other than U.S. dollars. The foreign currencies most frequently used by U.S. companies include Swiss Francs, Deutschemarks, British Sterling, Dutch Guilders, Japanese Yen, European Current Units (ECUs), Canadian Dollars, Australian Dollars and New Zealand Dollars.

15. A foreign currency offering involves a degree of risk to a U.S. issuer because changes in the relationship between the value of the U.S. dollar and foreign currency may increase the ultimate cost of the debt. Currency exchanges allow a party to make a series of payments in U.S. dollars in exchange for a series of payments in, or based upon, foreign currencies. Combining a foreign currency offering with a currency exchange effectively eliminates the currency risk by providing the issuer a stream of foreign currency payments equal to obligations on the foreign debt.

16. The Company expects to issue the Debt from time to time in either public offerings or private placements for cash or in exchange for its outstanding securities. Maturities will be established at the time of issuance.

17. Offering costs are not expected to exceed 3.15 percent for the Debt.

18. The expected results of the offering and sale of the Debt are as follows:

ESTIMATED RESULTS OF THE FINANCINGS

	<u>Total</u>	<u>Per \$100</u>
Gross Proceeds	\$750,000,000	\$100.00
Less: Underwriting Fees at Approximately 3.15 percent	<u>23,625,000</u>	<u>3.15</u>
Proceeds Payable to Company	\$726,375,000	\$ 96.85
Less: Other Issuance Expenses	<u>850,000</u>	<u>.113</u>
Net Proceeds to Company	<u>\$725,525,000</u>	<u>\$96.737</u>

19. The Company intends to use the proceeds for purposes set forth in

§ 69-3-501 MCA. Proceeds may be used for one or more of the following purposes:

the acquisition of property; the construction, completion, extension, or improvement of facilities; the improvement of service; the discharge or refunding of obligations; and to reimburse the Company for funds expended from income or from other treasury funds that were

not derived from the issuance of securities, provided that the funds to be reimbursed were used in furtherance of one or more of the utility purposes authorized by § 69-3-501 MCA. To the extent that the funds to be reimbursed were used for the discharge or refunding of obligations, those obligations or their precedents were originally incurred in furtherance of a utility purpose.

20. Issuances of the Debt proposed are part of an overall plan to finance the cost of the Company's facilities taking into consideration prudent capital ratios, earnings coverage tests and market uncertainties as to the relative merits of the various types of securities the Company could sell.

21. The issuance of an order authorizing the proposed financing does not constitute agency determination/approval of any issuance-related ratemaking issues which issues are expressly reserved until the appropriate proceeding.

CONCLUSIONS OF LAW

1. The proposed issuances of Debt to which the application relates will be for lawful objects within the corporate purposes of the Company. The method of financing is proper.

2. The application should be approved.

ORDER

IT IS THEREFORE ORDERED by the Commission that:

1. The application of PacifiCorp filed on February 22, 1996, for authority to (1) issue and sell or exchange, in one or more public offerings or private placements, fixed or floating rate debt (Debt) in the aggregate principal amount of not more than \$750,000,000 or, if the Debt is issued at an original issue discount, such greater amount as shall result in an aggregate offering price of not more than \$750,000,000 (or its equivalent amount in, or based upon, foreign currencies determined at the time of issue), (2) enter into letter of credit arrangements with one or more banks or such other agreements or arrangements as may be necessary or appropriate, from time to time, to provide additional credit support for the payment of the principal of, the interest on, and the premium (if any) on the Debt, and (3) enter into one or more currency exchanges, pursuant to ' ' 69-3-501 through

69-3-507, MCA, and to use the proceeds as described in the application, is approved.

2. The authority granted herein is in addition to the authority granted in Docket No. D95.12.178, Default Order No. 5886, except that the Debt approved by this Order supersedes \$250,000,000 of the authority granted in Docket No. D95.12.178.

3. The authority granted herein shall remain in effect until December 31, 1997.

4. PacifiCorp shall file the following as they become available:

- a. The "Report of Securities Issued" required by 18 CFR 34.10.
- b. Verified copies of any agreement entered into in connection with the issuance of Debt pursuant to this Order.
- c. A verified statement setting forth in reasonable detail the disposition of the proceeds of each offering made pursuant to the order.

5. Issuance of this Order does not constitute acceptance of PacifiCorp's exhibits or other material accompanying the application for any purpose other than the issuance of this Order.

6. Approval of the transaction authorized shall not be construed as precedent to prejudice any future action of this Commission.

7. Section 69-3-507, MCA, provides that neither the issuance of securities by PacifiCorp pursuant to the provisions of this Order, nor any other act or deed done or performed in connection with the issuance, shall be construed to obligate the State of Montana to pay or guarantee in any manner whatsoever any security authorized, issued, assumed, or guaranteed.

8. This order shall be effective upon execution.

DONE IN OPEN SESSION at Helena, Montana, this 11th day of March , 1996 , by a vote of 5 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

NANCY McCAFFREE, Chair

DAVE FISHER, Vice Chair

BOB ANDERSON, Commissioner

DANNY OBERG, Commissioner

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.